

**MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2010**

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2010

Board of Education (Before September 15, 2009 Election)

<u>Name</u>		<u>Term Expires</u>
Deborah De Haan	President	2011
Gerald Van Roekel	Vice President	2009
Dan Duistermars	Board Member	2009
Shane Jager	Board Member	2011
Patti Thayer	Board Member	2011

Board of Education (After September 15, 2008 Election)

Deborah De Haan	President	2011
Gerald Van Roekel	Vice President	2012
Dan Duistermars	Board Member	2012
Shane Jager	Board Member	2011
Patti Thayer	Board Member	2011

Officials

Gary Richardson	Superintendent	2010
Leann Evenhuis	Board Secretary	2010
Scott Kooiman	Board Treasurer	2010
Stephen F. Avery	Attorney	2010



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2010 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 38 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams + Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
November 13, 2010

MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

General fund revenues increased slightly from \$12,063,426 in fiscal 2009 to \$12,081,056 in fiscal 2010, while General fund expenditures increased from \$12,182,245 in fiscal 2009 to \$12,310,506 in fiscal 2010, an approximate 1% increase. The District's General fund balance decreased from \$954,518 in fiscal 2009 to \$725,068 in fiscal 2010, a 24% decrease.

Due to the current economic climate, in October 2009, the governor of the State of Iowa announced a 10% across the board cut in funding. This resulted in a state aid shortfall of \$627,500, which directly affected the General Fund revenues and ultimately, the ending fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MOC-Floyd Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

GASB 34 MOC-Floyd Valley Community School District Annual Financial Report

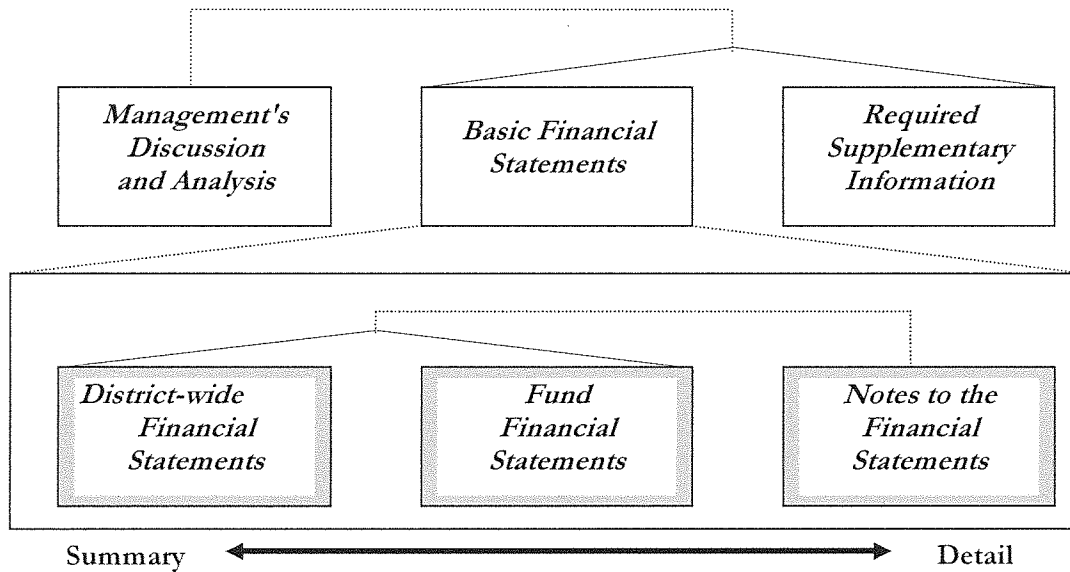


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds include an agency fund for the District's flex cafeteria plan for employees and an agency fund for the District's Band Parent organization.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 and 2010.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2009	2010	2009	2010	2009	2010	
Current and other assets	\$ 8,274,618	\$ 8,895,293	\$ 131,078	\$ 190,918	\$ 8,405,696	\$ 9,086,211	8.1%
Capital Assets	11,233,317	11,027,870	76,813	110,306	11,310,130	11,138,176	-1.5%
Total Assets	19,507,935	19,923,163	207,891	301,224	19,715,826	20,224,387	2.6%
Current Liabilities	7,022,738	7,757,850	30,190	57,595	7,052,928	7,815,445	10.8%
Long-Term Liabilities	2,980,212	2,179,385	4,490	6,240	2,984,702	2,185,625	-26.8%
Total Liabilities	10,002,950	9,937,235	34,680	63,835	10,037,630	10,001,070	-0.4%
Net Assets Invested in capital assets, net of related debt	7,483,595	8,040,908	76,813	110,306	7,560,408	8,151,214	7.8%
Restricted	460,568	796,931	-	-	460,568	796,931	73.0%
Unrestricted	1,560,822	1,148,089	96,398	127,083	1,657,220	1,275,172	-23.1%
Total Net Assets	\$ 9,504,985	\$ 9,985,928	\$ 173,211	\$ 237,389	\$ 9,678,196	\$ 10,223,317	5.6%

The District's total net assets increased by 5.6% or approximately \$545,121 over the prior year. The largest portion of the District's net assets is the investment in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. For FY10, long term liabilities showed a decrease of approximately 26.8% due to payments on the PPEL loan and SILO revenue bonds. The PPEL loan will be paid in FY11 and the SILO Revenue Bonds will be fully paid in FY15.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased over \$336,363 or 73% from the prior year. The increase was primarily a result of increased restrictions for categorical funding, special revenue fund, and other special revenue purposes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$382,048 or 23.1%. This decline is directly related to the 10% across the board cut of \$627,500.

Figure A-4 Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2009	2010	2009	2010	2009	2010	
Revenue:							
Program Revenue:							
Charges for Services	\$ 612,908	\$ 610,854	\$ 429,117	\$ 427,085	\$1,042,025	\$1,037,939	-0.4%
Operating Grants and Contributions	2,260,388	2,794,911	196,457	239,696	2,456,845	3,034,607	23.5%
Capital Grants and Contributions	134,277	87,266	-	-	134,277	87,266	-35.0%
General Revenues:							
Property Tax	4,343,972	4,579,353	-	-	4,343,972	4,579,353	5.4%
Instructional Support Surtax	612,335	633,996	-	-	612,335	633,996	3.5%
Local Option Sales Tax	996,628	1,012,315	-	-	996,628	1,012,315	1.6%
Unrestricted State Grants	5,132,101	4,425,703	-	-	5,132,101	4,425,703	-13.8%
Unrestricted Investment Earnings	54,455	45,799	1,889	2,678	56,344	48,477	-14.0%
Other	38,898	58,422	3,814	2,347	42,712	60,769	42.3%
TOTAL REVENUES	14,185,962	14,248,619	631,277	671,806	14,817,239	14,920,425	0.7%
Program Expenses:							
Instruction	9,310,992	9,427,547	-	-	9,310,992	9,427,547	1.3%
Support Services	3,444,834	3,417,016	-	-	3,444,834	3,417,016	-0.8%
Non-instructional Programs	15,187	17,917	587,901	607,628	603,088	625,545	3.7%
Other Expenses	817,395	905,196	-	-	817,395	905,196	10.7%
TOTAL EXPENSES	\$13,588,408	\$13,767,676	\$ 587,901	\$ 607,628	14,176,309	\$14,375,304	1.4%

Property tax, local option sales tax, and unrestricted state grants account for 67.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89.4% of the total expenses.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2009	2010		2009	2010	
Instruction	\$9,310,992	\$ 9,427,547	1.3%	\$6,993,423	\$ 6,699,506	-4.2%
Support Services	3,444,834	3,417,016	-0.8%	3,300,246	3,305,899	0.2%
Non-Instructional	15,187	17,917	18.0%	9,220	13,833	50.0%
Other	817,395	905,196	10.7%	277,946	255,407	-8.1%
TOTAL	\$13,588,408	\$13,767,676	1.3%	\$10,580,835	\$10,274,645	-2.9%

- The cost financed by users of the District's programs was \$610,854.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,882,177.

- The net cost of governmental activities was financed with \$6,225,664 in property and other taxes and \$4,425,703 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activities were \$671,806 and expenses were \$607,628. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,421,138, a decrease over last year's ending fund balances of \$1,542,551. The balance reflects a significant decrease in the General Fund fund balance, and an increase in the Other Governmental Funds fund balances.

Governmental Fund Highlights

- The decline in the District's General Fund financial position is the result of a 10% across the board cut in state aid.
- The June 2010 fund balance in the Other Governmental Funds increased by \$108,037. This was largely due to the increased balance in the Management and Capital Project LOST Funds.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased significantly from \$173,211 at June 30, 2009 to \$237,389 at June 30, 2010, mostly due to an increase in cash balance. State and federal reimbursement increased by nearly \$40,000 due an increased free and reduced population. Lunch and breakfast prices remained the same as the previous year. Sales of services to the Day Care also increased.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the accrual basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$20,583,056 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for governmental funds for the year was \$569,004 and \$10,621 for Food Service Operations.

Figure A-6 Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2009	2010	2009	2010	2009	2010	
Land	\$ 337,624	\$ 337,624	\$ -	\$ -	\$ 337,624	\$ 337,624	0.0%
Buildings	16,338,843	16,389,262	-	-	16,338,843	16,389,262	0.3%
Improvements other than buildings	745,822	751,509	-	-	745,822	751,509	0.8%
Furniture and Equipment	2,746,614	2,938,571	122,546	166,090	2,869,160	3,104,661	8.2%
Total Assets	\$20,168,903	\$20,416,966	\$ 122,546	\$166,090	\$20,291,449	\$20,583,056	0.0%

Long-Term Debt

At year end, the District had \$203,409 in general obligation bonds outstanding, \$2,726,183 in LOST revenue bonds outstanding, \$25,000 in notes, \$37,427 in early retirement obligations, \$24,110 in compensated absences, \$32,370 in lease obligations and \$7,497 in net OPEB liability. This is a decrease of \$763,036 from the prior year. The decrease is largely due to the repayment of general obligation bonds and LOST revenue bonds. Additional liabilities were incurred with the addition of a music instrument lease obligation and Other Post Employment Benefits for retirees who stay on the district's group health insurance plan. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2010-11 increased by nearly 40 students. This will positively affect the 2011-12 budget.
- There continues to be some economic expansion in the community.
- Because of the economic downturn, during the 2009-10 fiscal year, the district experienced a 10 percent cut in state aide amounting to \$627,500. This does not include \$587,786 of the district's state aide that was replaced with the American Recovery and Reinvestment Act funds.
- During the 2010-11 fiscal year, \$132,704 of the district's state aide will be replaced with funding through the American Recovery and Reinvestment Act. The district has received ARRA funding in the amount of \$36,595 for Title I and \$98,277 for special education that will be spent during the 2010-11 school year. In addition, the district will receive \$266,418 in the Federal Education Jobs Fund that must be spent by September 2010. Districts have been instructed to use the American Recovery and Reinvestment Act funding to create or save jobs, to spend it quickly and wisely in a manner to avoid the funding cliff in FY2012.

- An operational sharing arrangement has begun for the 2010-11 fiscal year with the sharing of services for the superintendent and business management. The district will realize a decrease in expenditures because of the shared positions. State funding for operational sharing will increase revenues for the 2011-12 budget by approximately \$242,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8th Street SE, Orange City Iowa 51041.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 2,669,010	\$ 157,711	\$ 2,826,721
Receivables:			
Property Tax	38,273	-	38,273
Succeeding Year Property Tax	5,169,253	-	5,169,253
Income Surtax	577,470	-	577,470
Accounts	19,823	8,032	27,855
Due from Other Governments	352,391	-	352,391
Restricted Assets:			
Cash and Pooled Investments	61,718	-	61,718
Inventories	-	25,175	25,175
Bond Issue Costs	7,355	-	7,355
Land	337,624	-	337,624
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	10,690,246	110,306	10,800,552
Total Assets	19,923,163	301,224	20,224,387
LIABILITIES			
Accounts Payable	317,410	39,571	356,981
Salaries and Benefits Payable	1,277,233	4,423	1,281,656
Accrued Interest Payable	11,952	-	11,952
Unearned Revenue	105,391	13,601	118,992
Deferred Revenue - Succeeding Year Taxes	5,169,253	-	5,169,253
Noncurrent Liabilities:			
Due Within One Year:			
Notes Payable	12,500	-	12,500
Lease Obligations Payable	6,702	-	6,702
Bonds Payable	819,982	-	819,982
Early Retirement Payable	37,427	-	37,427
Due in More Than One Year:			
Notes Payable	12,500	-	12,500
Lease Obligations Payable	25,668	-	25,668
Accrued Compensated Absences	24,110	6,240	30,350
Bonds Payable	2,109,610	-	2,109,610
Net OPEB Liability	7,497	-	7,497
Total Liabilities	9,937,235	63,835	10,001,070
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,040,908	110,306	8,151,214
Restricted for:			
Categorical Funding	100,861	-	100,861
Debt Service	49,766	-	49,766
Management Levy	172,470	-	172,470
Physical Plant and Equipment Levy	103,142	-	103,142
Other Special Purposes	358,740	-	358,740
Unrestricted	1,160,041	127,083	1,287,124
Total Net Assets	\$ 9,985,928	\$ 237,389	\$ 10,223,317

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 6,550,106	\$ 187,688	\$ 1,514,321	\$ 87,266
Special Instruction	1,759,860	46,117	484,558	-
Other Instruction	1,117,581	370,466	37,625	-
Support Services:				
Student Services	391,966	-	-	-
Instructional Staff Services	453,661	-	-	-
Administration Services	1,061,596	-	-	-
Operation and Maintenance	997,952	6,583	-	-
Transportation Services	511,841	-	104,534	-
Non-instructional Programs	17,917	-	4,084	-
Other Expenditures:				
Facilities Acquisition and Construction Services	148,753	-	60,936	-
Long-term Debt Interest	167,590	-	-	-
AEA Flowthrough	588,853	-	588,853	-
Total governmental activities	<u>13,767,676</u>	<u>610,854</u>	<u>2,794,911</u>	<u>87,266</u>
Business Type Activity:				
Non-instructional Programs				
Food Service Operations	<u>607,628</u>	<u>427,085</u>	<u>239,696</u>	<u>-</u>
Total	<u>\$ 14,375,304</u>	<u>\$ 1,037,939</u>	<u>\$ 3,034,607</u>	<u>\$ 87,266</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total

\$	(4,760,831)		\$	(4,760,831)
	(1,229,185)			(1,229,185)
	(709,490)			(709,490)
	(391,966)			(391,966)
	(453,661)			(453,661)
	(1,061,596)			(1,061,596)
	(991,369)			(991,369)
	(407,307)			(407,307)
	(13,833)			(13,833)
	(87,817)			(87,817)
	(167,590)			(167,590)
	-			-
	(10,274,645)			(10,274,645)
		\$	59,153	59,153
	(10,274,645)		59,153	(10,215,492)
	4,188,696	-		4,188,696
	390,657	-		390,657
	633,996	-		633,996
	1,012,315	-		1,012,315
	4,425,703	-		4,425,703
	45,799	2,678		48,477
	58,422	2,347		60,769
	10,755,588	5,025		10,760,613
	480,943	64,178		545,121
	9,504,985	173,211		9,678,196
\$	9,985,928	\$	237,389	\$ 10,223,317

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Pooled Investments	\$ 2,146,027	\$ 522,983	\$ 2,669,010
Receivables:			
Property Tax	33,140	5,133	38,273
Succeeding Year Property Tax	4,561,958	607,295	5,169,253
Income Surtax	577,470	-	577,470
Accounts	12,760	7,063	19,823
Due from Other Governments	131,749	220,642	352,391
Restricted Assets:			
Cash and Pooled Investments	-	61,718	61,718
Total Assets	<u>7,463,104</u>	<u>1,424,834</u>	<u>8,887,938</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	215,984	101,426	317,410
Salaries and Benefits Payable	1,277,233	-	1,277,233
Early Retirement Payable	-	20,043	20,043
Unearned Revenue	105,391	-	105,391
Deferred Revenue - Succeeding Year Taxes	4,561,958	607,295	5,169,253
Deferred Revenue - Income Surtax	577,470	-	577,470
Total Liabilities	<u>6,738,036</u>	<u>728,764</u>	<u>7,466,800</u>
Fund Balances:			
Reserved for:			
Categorical Funding	100,861	-	100,861
Debt Service	-	61,718	61,718
Unreserved for:			
General Fund	624,207	-	624,207
Special Revenue Fund	-	429,721	429,721
Capital Project Fund	-	204,631	204,631
Total Fund Balances	<u>725,068</u>	<u>696,070</u>	<u>1,421,138</u>
Total Liabilities and Equity	<u>\$ 7,463,104</u>	<u>\$ 1,424,834</u>	<u>\$ 8,887,938</u>

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,421,138
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,027,870
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,952)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	7,355
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	577,470
Accrued compensated absences not reported on the modified accrual basis.	(24,110)
Long-term liabilities, including bonds payable, lease obligations payable, early retirement payable, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,011,843)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 9,985,928</u></u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax	\$ 4,524,892	\$ 1,652,659	\$ 6,177,551
Tuition	213,050	-	213,050
Other	96,354	421,631	517,985
State Sources	5,961,541	45,160	6,006,701
Federal Sources	1,285,219	-	1,285,219
Total Revenue	<u>12,081,056</u>	<u>2,119,450</u>	<u>14,200,506</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular Instruction	6,135,211	160,821	6,296,032
Special Instruction	1,774,807	-	1,774,807
Other Instruction	733,337	337,145	1,070,482
Support Services:			
Student Services	390,083	1,838	391,921
Instructional Staff Services	387,354	80,767	468,121
Administration Services	1,018,484	30,904	1,049,388
Operation and Maintenance	847,358	99,918	947,276
Transportation Services	430,935	115,032	545,967
Non-instructional Programs	4,084	13,833	17,917
Other Expenditures:			
Facilities Acquisition and Construction Services	-	240,797	240,797
Long-term Debt:			
Principal	-	805,096	805,096
Interest and Fiscal Charges	-	167,597	167,597
AEA Flowthrough	588,853	-	588,853
Total Expenditures	<u>12,310,506</u>	<u>2,053,748</u>	<u>14,364,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(229,450)</u>	<u>65,702</u>	<u>(163,748)</u>
Other Financing Sources (Uses):			
Transfers In	-	972,693	972,693
Transfers Out	-	(972,693)	(972,693)
Issuance of Capital Lease	-	42,335	42,335
Total Other Financing Sources (Uses)	<u>-</u>	<u>42,335</u>	<u>42,335</u>
Net Change in Fund Balances	(229,450)	108,037	(121,413)
Fund Balances - Beginning of Year	954,518	588,033	1,542,551
Fund Balances - End of Year	<u>\$ 725,068</u>	<u>\$ 696,070</u>	<u>\$ 1,421,138</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ (121,413)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 368,660	
Depreciation expense	<u>(569,004)</u>	(200,344)

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(5,103)
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Accrued interest expense that does not require current financial resources.	3,016
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	48,113
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	2,909	
Net OPEB Liability	(7,497)	(7,497)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(3,008)
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	1,510
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets	(42,335)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	782,630	
Notes payable	12,500	
Lease obligations payable	<u>9,965</u>	<u>805,095</u>

Change in net assets of governmental activities (page 15)	<u>\$ 480,943</u>
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
ASSETS		
Current Assets:		
Cash and Pooled Investments	\$ 157,711	\$ -
Inventories	25,175	-
Receivables:		
Accounts	8,032	-
Total Current Assets	<u>190,918</u>	<u>-</u>
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>110,306</u>	<u>-</u>
Total Noncurrent Assets	<u>110,306</u>	<u>-</u>
Total Assets	<u>301,224</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	39,571	-
Salaries and Benefits Payable	4,423	-
Unearned Revenue	13,601	-
Total Current Liabilities	<u>57,595</u>	<u>-</u>
Noncurrent Liabilities:		
Accrued Compensated Absences	<u>6,240</u>	<u>-</u>
Total Noncurrent Liabilities	<u>6,240</u>	<u>-</u>
Total Liabilities	<u>63,835</u>	<u>-</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	110,306	-
Unrestricted	127,083	-
Total Net Assets	<u>\$ 237,389</u>	<u>\$ -</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Business Type Activity</u> School Nutrition Fund	<u>Governmental Activities</u> Internal Service
Operating Revenues:		
Charges for services	\$ 427,085	\$ -
Miscellaneous	2,347	-
Total Operating Revenue	<u>429,432</u>	<u>-</u>
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	233,199	-
Benefits	33,782	-
Purchased Services	12,459	-
Supplies	317,567	-
Depreciation	10,621	-
Total Operating Expenses	<u>607,628</u>	<u>-</u>
Operating (Loss)	<u>(178,196)</u>	<u>-</u>
Non-Operating Revenues :		
Interest Income	2,678	-
State Lunch Reimbursements	6,307	-
National School Lunch Program	190,976	-
Federal Food Commodities Received	42,413	-
Total Non-Operating Revenues	<u>242,374</u>	<u>-</u>
Income before Contributions and Transfers	<u>64,178</u>	<u>-</u>
Change in net assets	64,178	-
Net Assets - beginning	<u>173,211</u>	<u>-</u>
Net Assets - ending	<u><u>\$ 237,389</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 426,403	\$ -
Cash received from miscellaneous operating activities	2,347	-
Cash paid to employees for services	(266,245)	-
Cash paid to suppliers for goods or services	(263,385)	(646)
Total cash (used) by operating activities	<u>(100,880)</u>	<u>(646)</u>
Cash flows from noncapital financing activities:		
Due From (To) Other Funds	-	390
State grants received	6,307	-
Federal grants received	190,976	-
Total cash provided by noncapital financing activities	<u>197,283</u>	<u>390</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(44,115)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,678</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	54,966	(256)
Cash and cash equivalents - beginning of year	<u>102,745</u>	<u>256</u>
Cash and cash equivalents - end of year	<u><u>157,711</u></u>	<u><u>-</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating (loss)	(178,196)	-
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	10,621	-
Commodities used	42,413	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	(656)	-
Inventories	(4,217)	-
Accounts Payable	28,445	(646)
Salaries and Benefits Payable	(1,014)	-
Compensated Absences Payable	1,750	-
Unearned Revenue	<u>(26)</u>	<u>-</u>
Net cash (used) in operating activities	<u><u>\$ (100,880)</u></u>	<u><u>\$ (646)</u></u>
Non-cash investing, capital and financing activities:		
Federal food commodities received	<u><u>\$ 42,413</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2010

	<u>2010</u>
Cash and Temporary Cash Investments	\$ 31,864
Total Assets	<u>31,864</u>
Liabilities:	
Other Payables	<u>31,864</u>
Net Assets	<u><u>\$ -</u></u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees. This fund has been discontinued during the fiscal year as the District is no longer partially self-funded.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following are the District's fiduciary funds:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Flex Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

Band Parents Agency Fund – This fund is used to account for assets held by the District as an agent for this private organization.

The District reports the following major governmental fund:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on a flat dollar amount per day. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions; however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District had no investments as of June 30, 2010 meeting the definition of GASB Statement 40.

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Project – LOST	\$ 961,874
Debt Service	Special Revenue - Physical Plant and Equipment	10,819
		<u>\$ 972,693</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009 (As Reclassified)	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 337,624	\$ -	\$ -	\$ 337,624
Total capital assets not being depreciated	337,624	-	-	337,624
Capital assets being depreciated:				
Buildings	16,338,843	50,419	-	16,389,262
Improvements other than buildings	745,822	5,687	-	751,509
Furniture and equipment	2,746,614	312,554	120,597	2,938,571
Total capital assets being depreciated	19,831,279	368,660	120,597	20,079,342
Less: Accumulated Depreciation for:				
Buildings	6,752,775	363,806	-	7,116,581
Improvements other than buildings	539,835	37,214	-	577,049
Furniture and equipment	1,642,976	167,984	115,494	1,695,466
Total Accumulated Depreciation	8,935,586	569,004	115,494	9,389,096
Total capital assets being depreciated, net	10,895,693	(200,344)	5,103	10,690,246
Governmental activities capital assets, net	\$ 11,233,317	\$ (200,344)	\$ 5,103	\$ 11,027,870

During the fiscal year ended June 30, 2010 the District reclassified \$90,624 from land improvements to land and \$158,425 from buildings to furniture and equipment

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Business-type Activities:				
Furniture and equipment	\$ 122,546	\$ 44,114	\$ 570	\$ 166,090
Less: Accumulated Depreciation	45,733	10,621	570	55,784
Business-type activities capital assets, net	\$ 76,813	\$ 33,493	\$ -	\$ 110,306

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
Regular Instruction	\$ 378,384
Special Instruction	1,616
Other Instruction	54,933
Instructional Staff Services	8,761
Administration Services	8,235
Operation and Maintenance	62,443
Transportation Services	54,632
Total depreciation expenses – governmental activities	\$ 569,004
Business-type activities:	
Food Service Operations	\$ 10,621

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 337,624	\$ -
Capital Assets (net of accumulated depreciation)	10,690,246	110,306
Less: Bonds Payable	2,929,592	-
Lease Obligation	32,370	-
Notes Payable	25,000	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 8,040,908</u>	<u>\$ 110,306</u>

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS

During fiscal year 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at June 30, 2010 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. The District operates a single-employer retiree benefit plan. An employee who has a minimum of 10 years of service and reached age 55 are able to obtain group health insurance through the District's health insurance plan until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District's eligible retirees currently finance the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 17,500
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	17,500
Estimated contributions made	(10,003)
Increase in net OPEB obligation	7,497
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 7,497</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the estimated contributions for the year ended June 30, 2010.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 17,500	42.84%	\$ 7,497

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$190,458, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$190,458. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$6,000,000 and the ratio of the UAAL to covered payroll was 3.17%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries and adjusted to reflect the recent lower termination rates experienced by the District.

Projected claim costs of the medical plan are \$648 per month for retirees less than age 65. No coverage is assumed after age 65. Assumptions do not include any growth or decline in payroll per annum. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis for 30 years.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligations Bonds	\$ 399,880	\$ -	\$ 196,471	\$ 203,409	\$ 203,409
LOST Revenue Bonds	3,312,342	-	586,159	2,726,183	616,573
Lease Obligation	-	42,335	9,965	32,370	6,702
Note Payable	37,500	-	12,500	25,000	12,500
Early Retirement	43,690	37,427	43,690	37,427	37,427
Compensated Absences	25,620	3,680	5,190	24,110	-
Net OPEB Liability	-	7,497	-	7,497	-
Governmental Activities Long-Term Liabilities	\$ 3,819,032	\$ 90,939	\$ 853,975	\$ 3,055,996	\$ 876,611

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 2006 Capital Loan Notes	3.50%	<u>\$ 203,409</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 203,409	\$ 5,355
Total	<u>\$ 203,409</u>	<u>\$ 5,355</u>

Revenue Bonds

The District has pledged future local option sales and services tax revenues to repay the LOST revenue bonds issued in fiscal years 2005 and 2006. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the note is \$3,024,161. For the current year, \$740,611 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$1,012,315.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2010.

Revenue bonds as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – LOST Revenue Bonds	5.0%	<u>\$ 2,726,183</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 616,573	\$ 124,037
2012	648,331	92,280
2013	682,209	58,402
2014	717,608	23,003
2015	61,462	256
Total	<u>\$2,726,183</u>	<u>\$ 297,978</u>

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Furniture and Equipment	\$ 42,335
Less: Accumulated Depreciation	<u>3,881</u>
Total	<u>\$ 38,454</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2010.

Year Ending June 30	Principal	Interest	Total
2011	\$ 6,702	\$ 4,116	\$ 10,818
2012	7,555	3,264	10,818
2013	8,515	2,303	10,818
2014	\$ 9,598	\$ 1,220	10,818
Minimum Lease Payments			43,272
Less: Amount Representing Interest			(10,902)
Present Value of Minimum Lease Payments			<u>\$ 32,370</u>

Note Payable

The District entered into a note payable in connection with the purchase of land during the year ended June 30, 2010. The note was issued at 0% interest and payable in four annual installments. Annual debt service requirements to maturity for the note payable is as follows:

	<u>Governmental Activities</u>
Year Ending June 30	Principal
2011	\$12,500
2012	<u>12,500</u>
Total	<u>\$25,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who have 10 years of continuous service with the former districts and/or the new District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. Early retirement benefits paid during the year ended June 30, 2010, totaled \$43,690. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 7 – PENSION AND RETIREMENT BENEFITS (CONTINUED)

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$534,503 \$493,986, \$430,231 respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$588,853 for the year ended June 30, 2010 and is recorded in the General Fund.

NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established to account for the partial self-funding of the District's prescription drug benefit plan. The plan was funded by District contributions and was administered through a service agreement with Three Rivers Benefit Corporation. The District assumed liability for co-pay amounts of \$5 to \$20 depending on the coverage selected by the employee. As of June 30, 2010 the District discontinued the split funding health insurance plan and any activity during the fiscal year was the payment of any accrued liabilities from the prior fiscal year.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2009	\$	646
Claims Paid		(646)
Claims Incurred		-
Claims Payable at June 30, 2010	\$	-

REQUIRED SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Final to</u>
	<u>Original</u>	<u>Amended</u>	<u>Funds</u>	<u>Fund</u>	<u>Actual</u>	<u>Actual</u>
			<u>Actual</u>	<u>Actual</u>		<u>Variance</u>
REVENUE:						
Local Sources:						
Local Tax	\$ 5,163,082	\$5,163,082	\$ 6,177,551	\$ -	\$ 6,177,551	\$ 1,014,469
Tuition	346,658	346,658	213,050	-	213,050	(133,608)
Other	1,878,250	1,878,250	517,985	432,110	950,095	(928,155)
State Sources	7,310,893	7,310,893	6,006,701	6,307	6,013,008	(1,297,885)
Federal Sources	626,297	626,297	1,285,219	233,389	1,518,608	892,311
Total Revenue	15,325,180	15,325,180	14,200,506	671,806	14,872,312	(452,868)
EXPENDITURES:						
Current:						
Instruction	10,243,752	10,243,752	9,141,321	-	9,141,321	1,102,431
Support Services	4,116,565	4,116,565	3,402,673	-	3,402,673	713,892
Non-instructional Programs	710,667	710,667	17,917	607,628	625,545	85,122
Other Expenditures	2,013,633	2,013,633	1,802,343	-	1,802,343	211,290
Total Expenditures	17,084,617	17,084,617	14,364,254	607,628	14,971,882	2,112,735
Excess (Deficiency) of Revenues Over Expenditures	(1,759,437)	(1,759,437)	(163,748)	64,178	(99,570)	1,659,867
Other Financing Sources (Uses):						
Transfers In	949,374	949,374	972,693	-	972,693	23,319
Transfers Out	(949,374)	(949,374)	(972,693)	-	(972,693)	(23,319)
Issuance of Capital Lease	-	-	42,335	-	42,335	42,335
Total Other Financing Sources (Uses)	-	-	42,335	-	42,335	42,335
Net Change in Fund Balances	(1,759,437)	(1,759,437)	(121,413)	64,178	(57,235)	1,702,202
Fund Balances - Beginning of Year	1,715,762	1,715,762	1,542,551	173,211	1,715,762	-
Fund Balances - End of Year	\$ (43,675)	\$ (43,675)	\$ 1,421,138	\$ 237,389	\$ 1,658,527	\$ 1,702,202

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2010, the District had no budget amendments.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,000,000	3.17%

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 3,872,260
Mobile Home Tax	2,972
Utility Tax Replacement Excise Tax	63,777
Surtax	585,883
	<u>4,524,892</u>

Other Local Sources:

Interest on Investments	39,972
Tuition from Individuals	39,375
Tuition from Other Districts	173,675
Rent	6,583
Miscellaneous	49,799
	<u>309,404</u>
	<u>4,834,296</u>

State Sources:

State Foundation Aid	4,069,622
State Foundation Aid - Statewide Voluntary Preschool	353,002
Non-Public Transportation Aid	104,534
Non-Public Textbook and Technology Aid	13,737
Teacher Compensation	736,495
Vocational Education Aid	11,317
Revenue in lieu of taxes - military credit	2,895
AEA Flow-Through	588,853
Iowa Early Intervention Block Grant	74,586
Other State Aid	6,500
	<u>5,961,541</u>

Federal Sources:

Title I Grants to Local Educational Agencies	110,059
Safe and Drug-Free Schools and Communities-States Grants	4,084
Vocational Education - Basic Grants to States	12,571
Carol White PE Grant	87,266
Special Education - Grants to States	89,853
Improving Teacher Quality State Grants	51,658
Grants for Assessments and Related Activities	8,444
Medicaid	132,364
ARRA Title I	35,346
ARRA Instructional Support	35,325
ARRA IDEA Part B	147,414
ARRA State Education Fiscal Funding	559,468
Other	11,367
	<u>1,285,219</u>
Total Revenue	<u>\$ 12,081,056</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 4,346,430
Benefits	1,057,653
Services	565,628
Supplies	107,627
Property	57,873
	<u>6,135,211</u>

Special Education Instruction:

Salaries	1,199,211
Benefits	268,855
Services	170,616
Supplies	28,348
Property	107,777
	<u>1,774,807</u>

Vocational Instruction:

Salaries	315,667
Benefits	79,846
Services	5,075
Supplies	12,322
Property	6,622
	<u>419,532</u>

Co-curricular Instruction:

Salaries	248,919
Benefits	43,649
Services	7,500
	<u>300,068</u>

Nonpublic Instruction:

Supplies	13,737
	<u>13,737</u>

Total Instruction	\$	8,643,355
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Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

Support Services:

Student Services:

Attendance and Social Work Services:

Salaries	\$ 6,547
Benefits	906
Services	3,229
	<u>10,682</u>

Guidance Services:

Salaries	243,820
Benefits	54,575
Services	5,517
Supplies	307
	<u>304,219</u>

Health Services:

Salaries	58,866
Benefits	14,179
Services	1,653
Supplies	484
	<u>75,182</u>

Total Student Services

390,083

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Services	8,609
Supplies	588
Other	704
	<u>9,901</u>

Educational Media Services:

Salaries	171,026
Benefits	33,989
Services	1,800
Supplies	16,176
Property	1,495
	<u>\$ 224,486</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

Support Services (Continued):

Instructional Staff Services (Continued):

Other Instructional Staff Support Services:

Salaries	\$ 75,172
Benefits	16,287
Services	7,290
Supplies	51,012
Property	3,206
	<u>152,967</u>

Total Instructional Staff Services

387,354

Support Services:

Administration Services:

Executive Administration:

Salaries	167,335
Benefits	45,705
Services	7,360
Supplies	2,729
Property	749
Other	75
	<u>223,953</u>

School Administration:

Salaries	495,652
Benefits	154,147
Services	10,896
Supplies	3,223
Property	3,746
Other	250
	<u>667,914</u>

Business Administration:

Salaries	54,790
Benefits	13,301
Services	3,148
Supplies	3,461
Other	249
	<u>74,949</u>

Board of Education:

Services	41,878
Supplies	4,660
Other	5,130
	<u>51,668</u>

Total Administration Services:

\$ 1,018,484

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

Support Services (Continued):	
Plant Operation and Maintenance:	
Salaries	\$ 329,703
Benefits	74,015
Services	108,633
Supplies	333,651
Property	1,356
	<u>847,358</u>
Support Services:	
Student Transportation:	
Salaries	198,915
Benefits	34,349
Services	131,087
Supplies	66,584
	<u>430,935</u>
Total Support Services	<u>3,074,214</u>
Non-instructional Programs:	
Community Services:	
Salaries	70
Benefits	10
Services	1,983
Supplies	2,021
	<u>4,084</u>
Other Expenditures:	
AEA Flow-Through	<u>588,853</u>
Total Expenditures	<u>12,310,506</u>
Deficiency of Revenues Over Expenditures	<u>(229,450)</u>
Net Change in Fund Balance	(229,450)
Fund Balance - Beginning of Year	<u>954,518</u>
Fund Balance - End of Year	<u><u>\$ 725,068</u></u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2010**

	Special Revenue Funds		
	Management Levy	Plant and Equipment Levy	Student Activity
ASSETS			
Cash and Pooled Investments	\$ 193,138	\$ 143,924	\$ 157,220
Receivables:			
Property Tax	2,101	3,032	-
Succeeding Year Property Tax	200,002	407,293	-
Accounts	-	-	7,063
Due from Other Governments	-	44,712	-
Restricted Assets:			
Cash and Pooled Investments	-	-	-
Total Assets	395,241	598,961	164,283
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	2,726	88,526	10,174
Early Retirement Payable	20,043	-	-
Deferred Revenue - Succeeding Year			
Property Taxes	200,002	407,293	-
Total Liabilities	222,771	495,819	10,174
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Unreserved for:			
Special Revenue Fund	172,470	103,142	154,109
Capital Project Fund	-	-	-
Total Fund Balances	172,470	103,142	154,109
Total Liabilities and Equity	\$ 395,241	\$ 598,961	\$ 164,283

Debt Service	Capital Project LOST	Total
\$ -	\$ 28,701	\$ 522,983
-	-	5,133
-	-	607,295
-	-	7,063
-	175,930	220,642
-	61,718	61,718
-	266,349	1,424,834
-	-	101,426
-	-	20,043
-	-	607,295
-	-	728,764
-	61,718	61,718
-	-	429,721
-	204,631	204,631
-	266,349	696,070
\$ -	\$ 266,349	\$ 1,424,834

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds		
	Management Levy	Physical Plant and Equipment Levy	Student Activity
REVENUE:			
Local Sources:			
Local Tax	\$ 249,687	\$ 390,657	\$ -
Other	35,132	18,179	365,604
State Sources	184	44,976	-
Total Revenue	285,003	453,812	365,604
EXPENDITURES:			
Current:			
Instruction:			
Regular Instruction	83,682	77,139	-
Other Instruction	-	-	337,145
Support Services:			
Student Services	1,838	-	-
Instructional Staff Services	2,717	78,050	-
Administration Services	30,904	-	-
Operation and Maintenance	69,253	30,042	623
Transportation Services	26,334	88,698	-
Non-instructional Programs	13,833	-	-
Other Expenditures:			
Facilities Acquisition and Construction	-	239,472	-
Long-term Debt:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	228,561	513,401	337,768
Excess (Deficiency) of Revenues Over Expenditures	56,442	(59,589)	27,836
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	-	(10,819)	-
Issuance of Capital Lease	-	42,335	-
Total Other Financing Sources (Uses)	-	31,516	-
Net Change in Fund Balance	56,442	(28,073)	27,836
Fund Balances - Beginning of Year	116,028	131,215	126,273
Fund Balances - End of Year	\$ 172,470	\$ 103,142	\$ 154,109

Schedule 3

Debt Service	Capital Project LOST	Total
\$ -	\$ 1,012,315	\$ 1,652,659
-	2,716	421,631
-	-	45,160
-	1,015,031	2,119,450
-	-	160,821
-	-	337,145
-	-	1,838
-	-	80,767
-	-	30,904
-	-	99,918
-	-	115,032
-	-	13,833
-	1,325	240,797
805,096	-	805,096
167,597	-	167,597
972,693	1,325	2,053,748
(972,693)	1,013,706	65,702
972,693	-	972,693
-	(961,874)	(972,693)
-	-	42,335
972,693	(961,874)	42,335
-	51,832	108,037
-	214,517	588,033
\$ -	\$ 266,349	\$ 696,070

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

					Schedule 4	
	Balance June 30, 2009	Revenues	Expenditures	Operating Transfers	Balance June 30, 2010	
Annual	\$ 9,581	\$ 16,134	\$ 14,895	\$ -	\$ 10,820	
Plays/Musical	5,265	1,560	966	-	5,859	
Iowa High School Speech	1,120	440	4,837	3,375	98	
Iowa High School Music	1,000	15	5,626	4,675	64	
Vocal Robe Rent	5,317	-	190	(4,627)	500	
Band Instrument Rent	2,774	6,000	5,672	-	3,102	
Band Uniform Rent	5,261	7,880	6,025	(40)	7,076	
Jazz Band	-	750	34	-	716	
High School Band	137	41	217	40	1	
Music Gate Receipts	1,803	4,745	5,168	-	1,380	
Athletics	11,067	126,084	118,773	-	18,378	
Joint Baseball/Softball	(1,317)	7,500	2,391	-	3,792	
Joint Baseball/Softball Concessions	4,077	7,770	8,352	-	3,495	
Boys Basketball	(182)	775	345	-	248	
Dutch Football	8,127	7,581	7,239	-	8,469	
Wrestling Concessions	1,156	4,193	4,826	-	523	
Youth Wrestling	543	735	673	-	605	
Dutch Volleyball	2,182	6,047	6,896	-	1,333	
Industrial Tech./Skills USA	445	722	862	-	305	
Dance Team	1,774	593	465	-	1,902	
Peb Club/Cheerleaders	2,297	3,500	4,290	-	1,507	
Student Council	4,667	6,996	6,452	-	5,211	
Speech Club	-	1,520	-	-	1,520	
FFA Club	3,899	29,355	28,530	-	4,724	
Class of 2016	-	-	-	500	500	
Class of 2015	500	-	-	500	1,000	
Class of 2014	1,000	-	-	500	1,500	
Class of 2013	1,500	-	-	-	1,500	
Class of 2012	1,500	-	-	-	1,500	
Class of 2011	1,400	8,975	8,072	-	2,303	
Class of 2010	223	1,058	1,258	-	23	
Get a Grip	252	-	-	-	252	
Middle/High School Shop	268	127	221	-	174	
Awards	3,547	1,383	157	-	4,773	
Miscellaneous	7,507	15,550	11,179	(3,346)	8,532	
Concessions	9,413	14,086	10,543	-	12,956	
Orange City Outdoor Education	3,784	12,607	12,325	-	4,066	
Orange City Elementary Pictures	5,933	7,214	6,578	-	6,569	
Orange City Elementary Book Club	380	194	102	-	472	
Orange City Elementary Care Fund	415	-	-	-	415	
National Honor Society	1,671	11,185	5,443	-	7,413	
Middle School Student Council	\$ 990	\$ 2,386	\$ 2,333	\$ -	\$ 1,043	

(Continued)

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

					Schedule 4
	Balance June 30, 2009	Revenues	Expenditures	Operating Transfers	Balance June 30, 2010
Middle School Magazines	\$ 6,594	\$ 47,614	\$ 43,625	\$ (1,500)	\$ 9,083
Middle School Book Club	81	-	-	-	81
Middle School Pictures	1,837	-	151	-	1,686
Hospers Elementary Pictures	1,549	205	921	(77)	756
Reading Counts	4,936	2,084	1,136	-	5,884
Totals	\$ 126,273	\$ 365,604	\$ 337,768	\$ -	\$ 154,109

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 5

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 3,756	\$ 112,760	\$ 116,516	\$ -
Total Assets	3,756	112,760	116,516	-
<u>Liabilities</u>				
Other Payables	3,756	112,760	116,516	-
Total Liabilities	3,756	112,760	116,516	-
 <u>Band Parents</u>				
<u>Assets</u>				
Cash and Pooled Investments	12,625	267,961	248,722	31,864
Total Assets	12,625	267,961	248,722	31,864
<u>Liabilities</u>				
Other Payables	12,625	267,961	248,722	31,864
Total Liabilities	12,625	267,961	248,722	31,864
 <u>Totals</u>				
<u>Assets</u>				
Cash and Pooled Investments	16,381	380,721	365,238	31,864
Total Assets	16,381	380,721	365,238	31,864
<u>Liabilities</u>				
Other Payables	16,381	380,721	365,238	31,864
Total Liabilities	\$ 16,381	\$ 380,721	\$ 365,238	\$ 31,864

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004

	Modified Accrual Basis of Accounting			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local Tax	\$ 6,177,551	\$ 5,920,879	\$ 5,742,777	\$ 5,717,087
Tuition	213,050	206,596	227,197	245,447
Other	517,985	516,071	595,337	653,974
State Sources	6,006,701	6,855,748	6,350,048	5,662,514
Federal Sources	1,285,219	638,707	585,683	356,122
Total	14,200,506	14,138,001	13,501,042	12,635,144
Expenditures:				
Instruction:				
Regular	6,296,032	6,248,844	5,848,218	5,245,267
Special	1,774,807	1,620,557	1,403,884	1,274,833
Other	1,070,482	1,087,334	1,100,724	1,146,584
Support Services:				
Student	391,921	387,817	365,581	367,276
Instructional Staff	468,121	471,129	437,981	474,641
Administration	1,049,388	1,023,237	997,004	988,093
Operation and maintenance of plant	947,276	971,881	926,787	961,151
Transportation	545,967	547,162	497,695	476,459
Non-instructional programs	17,917	15,187	11,799	12,784
Other Expenditures:				
Facilities Acquisition	240,797	355,452	194,210	612,353
Long-term debt:				
Principal	805,096	768,865	721,864	625,209
Interest and other charges	167,597	202,359	236,861	256,253
AEA Flowthrough	588,853	522,985	494,092	460,286
Total	\$ 14,364,254	\$ 14,222,809	\$ 13,236,700	\$ 12,901,189

Schedule 6

Modified Accrual		
2006	2005	2004
<hr/>		
\$ 5,422,730	\$ 5,617,211	\$ 4,988,529
238,086	203,510	186,899
796,282	558,505	432,540
5,230,501	5,180,289	4,692,680
408,004	389,042	431,026
<hr/> 12,095,603	<hr/> 11,948,557	<hr/> 10,731,674
4,745,983	4,548,117	4,502,074
1,050,820	1,109,891	1,267,711
1,178,431	1,102,055	867,876
327,830	298,770	290,962
491,826	445,567	489,514
966,342	894,523	842,722
851,118	696,566	646,831
488,615	435,149	464,428
12,896	13,321	14,123
3,568,453	3,016,635	298,711
600,000	570,000	545,000
279,828	74,396	84,535
436,066	432,179	435,808
<hr/> \$ 14,998,208	<hr/> \$ 13,637,169	<hr/> \$ 10,750,295

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 7			
Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Fund for the Improvement of Education	84.215	FY10	131,978
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 26,490
National School Lunch Program	10.555	FY10	206,900 **
			<u>233,390</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	110,059
Title I Grants to Local Educational Agencies - ARRA	84.389	FY10	35,346
			<u>145,405 *</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	12,571
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	FY10	4,084
Advanced Placement Program	84.330	FY10	56
English Language Acquisition Grants	84.365	FY10	6,442
Improving Teacher Quality State Grants	84.367	FY10	51,658
Grants for State Assessments &			
Related Activities	84.369	FY10	8,444
State Fiscal Stabilization Fund (SFSF) - ARRA	84.394	FY10	594,793 *
Northwest Area Education Agency:			
English Language Acquisition Grants	84.365	FY10	4,869
Western Hills Area Education Agency:			
Special Education Cluster:			
Special Education - Grants to States	84.027	FY10	89,853
Special Education - Grants to States - ARRA	84.391	FY10	147,414
			<u>237,267</u>
Total			<u>\$ 1,430,957</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

** Includes \$42,413 of non-cash awards.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC-Floyd Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SCHEDULE 8

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – State Fiscal Stabilization Funds - ARRA
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – Title I Grants to Local Educational Agencies - ARRA
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (I) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SCHEDULE 8

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCY:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

No matters were noted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SCHEDULE 8

Part IV: Other Findings Related to Statutory Reporting

- IV-A-10 Certified Budget – Disbursements for the year ended June 30, 2010 did not exceed amounts budgeted.
- IV-B-10 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions – Business transactions between the District and District Officials are detailed as follows:
- | Name, Title and
Business Connection | Transaction
Description | Amount |
|--|----------------------------|-----------|
| Gerald Van Roekel, Board Member
Part-owner of Van Engelenhoven Agency | Insurance | \$165,042 |
- This transaction may represent a conflict of interest and the District should contact legal council for determination.
- IV-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – Three variances in the basic enrollment data certified to the Department of Education were noted. Three funded students were subsequently dropped prior to October 2009. These variances were reported to the Iowa Department of Education.
- IV-H-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-10 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-J-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SCHEDULE 8

Part IV: Other Findings Related to Statutory Reporting – (Continued)

IV-K-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Persuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$ 18,705
Statewide Sales and Services Tax Revenue		1,012,315
Expenditures/transfers out:		
School Infrastructure:		
Other improvements	\$ 1,325	
Debt Service for School Infrastructure:		
Revenue Debt	961,874	963,199
Ending Balance		<u>\$ 67,821</u>

IV-L-10 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found no accounts that didn't appear to be extracurricular or co-curricular in nature.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 8

Part V: Findings – Year Ended June 30, 2009:

V-A-10 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Current Status – There is a limited number of accounting personnel, but higher review processes have been implemented. We felt these processes adequately mitigate the weaknesses attributed to a lack of segregation of duties.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
MOC-Floyd Valley Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2010, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated November 13, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MOC-Floyd Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the

financial statements of the district. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 13, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
MOC-Floyd Valley Community School District:

Compliance:

We have audited the compliance of MOC-Floyd Valley Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. MOC-Floyd Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of MOC-Floyd Valley Community School District's management. Our responsibility is to express an opinion on MOC-Floyd Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOC-Floyd Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MOC-Floyd Valley Community School District's compliance with those requirements.

In our opinion MOC-Floyd Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance:

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

MOC-Floyd Valley Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MOC-Floyd Valley Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom MOC-Floyd Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 13, 2010